

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England, Inc.

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Docket No. ER12-1809-000

**NOTICE OF INTERVENTION OF THE MASSACHUSETTS DEPARTMENT OF
PUBLIC UTILITIES, MOTION TO INTERVENE OF THE MASSACHUSETTS
DEPARTMENT OF ENERGY RESOURCES, AND COMMENTS OF THE
MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES AND THE
MASSACHUSETTS DEPARTMENT OF ENERGY RESOURCES**

Pursuant to Rules 214(a)(2) and 214(a)(3) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. §§ 385.214(a)(2), 214(a)(3) and the Commission’s Combined Notice of Filings #1 dated May 17, 2012, the Department of Public Utilities of the Commonwealth of Massachusetts (“Mass DPU”) and the Department of Energy Resources of the Commonwealth of Massachusetts (“Mass DOER”) (together, “Massachusetts”) hereby file the Mass DPU’s Notice of Intervention and the Mass DOER’s Motion to Intervene and provide comments in the above-captioned proceeding. This proceeding relates to the Section 205 filing by ISO New England Inc. (“ISO-NE”) seeking approval of temporary changes to Market Rule 1 to address unanticipated circumstances involving the disruption of liquefied natural gas (“LNG”) deliveries to New England and the potential need to limit the output of certain resources over a multi-day period in order to maintain reliability (the “Posturing Rule Changes”). ISO-NE made this filing as an “Exigent Circumstances” filing under Section 11.2 of the Participants Agreement, and pursuant to

18 C.F.R. § 35.11 of the Commission's rules and regulations requested waiver of the 60-day notice requirement to permit the Posturing Rule Changes to become effective one day after filing (*i.e.*, May 18, 2012). ISO-NE is proposing that the Posturing Rule Changes remain effective until September 30, 2012. Further, ISO-NE requests Commission action no later than June 30, 2012 in order to limit the uncertainty that will exist until the Commission issues an order. Massachusetts strongly supports the Posturing Rule Changes proposed by ISO-NE.

I. COMMUNICATIONS

Massachusetts requests that the individuals identified below be placed on the Commission's official service list in this proceeding and that all communications related to this filing and future filings in this proceeding should be directed to:

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II. INTERVENTION

The Mass DPU is the agency of the Commonwealth of Massachusetts charged with general regulatory supervision over gas and electric companies in Massachusetts and has jurisdiction to regulate rates and charges for the sale of electric energy and natural gas to consumers. Massachusetts General Laws c. 164, § 76 et seq. Therefore, the Mass DPU is a “state commission” as defined by 16 U.S.C. § 796(15) and 18 C.F.R. § 1.101(k). This notice of intervention has been filed within the period established under Rule 210(b). Accordingly, the Mass DPU hereby intervenes in this proceeding pursuant to Rule 214(a)(2).

The Mass DOER is the Massachusetts executive agency responsible for establishing and implementing the Commonwealth’s energy policies and programs, generally. Pursuant to Mass. Gen. Laws c. 25A, § 6, the Mass DOER is authorized and directed to: (1) plan, develop, oversee, and operate programs to help consumers understand, evaluate, and select retail energy supplies and related services offered as a consequence of electricity and gas utility restructuring; (2) develop and administer programs relating to energy conservation, demand-side management, alternative energy development, non-renewable energy supply and resources development, energy bond authority, energy information and energy emergencies; (3) advise, assist, and cooperate with other state, local, regional, and federal agencies in developing appropriate programs and policies relating to energy planning and regulation in the Commonwealth; (4) develop energy data and information management capabilities to aid energy planning and decision-making; and (5) promote the development of sound energy education programs. Due to the Mass DOER’s central role in establishing and implementing energy policies and programs in the Commonwealth of Massachusetts and its charter to advise, assist and cooperate with state, local, regional, and federal agencies on energy planning issues

it has a significant interest in this proceeding. Mass DOER frequently comments in appropriate state and federal regulatory venues on policies, regulations, standards and market mechanisms that affect various energy supplies, prices and infrastructure. Therefore, pursuant to Rule 214(a)(3), 18 C.F.R. § 385.214(a)(3), the Mass DOER respectfully requests that the Commission grant its motion to intervene in this matter.

III. COMMENTS

Massachusetts strongly supports the Posturing Rule Changes proposed by ISO-NE. As the ISO-NE filing notes, certain generators in the Northeastern Massachusetts/Boston area (“NEMA/Boston”) are fueled by LNG, some of which is sourced in Yemen. Recent terrorist attacks on natural gas pipelines in Yemen have resulted in a curtailment of LNG supplies to NEMA/Boston generators¹ (as well as other LNG customers, including local gas distribution companies). The generators in NEMA/Boston that rely on LNG make up a substantial portion of the total generation in the NEMA/Boston region.² ISO-NE states that the reduction in LNG deliveries to NEMA/Boston generators “significantly heightens the risk that if limited fuel is not used at the right time, then a large amount of resources could be unavailable during a peak period. ISO-NE’s analysis of the impact of the LNG delivery disruption shows a significant reliability risk under high load and N-1-1 conditions³ for the 2012 summer peak period.”⁴

In order to assure that the limited supply of LNG is used at the optimal time to ensure reliability, ISO-NE states that it may need to implement multi-day posturing by limiting the output of LNG-fueled generators over several days so that the full output of those generators is

¹ ISO New England Section 205 filing seeking Posturing Rule Changes, May 17, 2012, at p. 5.

² Id.

³ An N-1-1 condition generally refers to the consecutive loss of two bulk power system elements.

⁴ ISO New England Section 205 filing seeking Posturing Rule Changes, May 17, 2012, at p. 6.

available when needed during an expected, future peak period.⁵ ISO-NE further states that the existing market rules governing the payment and allocation of costs associated with postured resources (Appendix F of Market Rule 1) generally anticipates only single-day posturing.⁶ The existing market rules do not provide specific payment and cost allocation calculations for posturing associated with resources that have weekly energy restrictions.

Therefore, ISO-NE seeks to implement changes to the Posturing Rules that would “provide that the payments and allocation of costs associated with a resource that is postured for a multi-day period are determined on the same basis as the payments and allocation of costs for a resource that is postured intra-day, except that the new multi-day posturing calculation will take account of LMPs and Supply Offers over the weekly energy restriction period, rather than the daily period associated with intra-day posturing.”⁷

It is critically important that ISO-NE have the ability to address this serious threat to the reliability of the electricity grid during times of high load and N-1-1 conditions. ISO-NE must have the ability to posture the generators that rely on LNG in the NEMA/Boston region over multiple days in order to assure their availability during a peak period. Absent such ability by ISO-NE, NEMA/Boston and the New England electricity grid remain at risk of involuntary load shedding and the attendant consequences.

ISO-NE has demonstrated that the requisite exigent circumstances exist to allow for the immediate implementation of the Posturing Rule Changes in order to avoid a situation that

⁵ Id.

⁶ Id. at p. 7.

⁷ ISO New England Section 205 filing seeking Posturing Rule Changes, May 17, 2012, Lowell Testimony at pp. 8-9.

could substantially and adversely affect system reliability and that it should be allowed to bypass the normal stakeholder review procedures set forth in the Participants Agreement.⁸

In addition, ISO-NE has narrowly drawn the remedy sought. The Posturing Rule Changes are limited in scope in that they merely expand existing rules that allow for posturing units over a single day to allow such posturing over a multi-day period. Further, ISO-NE is seeking only a temporary change to Market Rule 1 to be effective until September 30, 2012 after which the proposed rules would no longer be in effect in the absence of action to extend them further. At that time it is anticipated that LNG deliveries will return to normal and the summer peak period in New England will have passed.⁹

Finally, as sought by ISO-NE, Massachusetts requests that the Commission make the Posturing Rule Changes effective as of May 18, 2012 and issue an order approving the Posturing Rule Changes by no later than June 30, 2012. The issuance of an order by that date would limit uncertainty as we head into the summer season.

IV. CONCLUSION

WHEREFORE, for the foregoing reasons, the Mass DPU hereby files this Notice of Intervention and the Mass DOER files this Motion to Intervene and respectfully requests that the Commission recognize the Mass DPU and the Mass DOER as interveners in this proceeding, with all rights attendant thereto. In addition, for the reasons stated above, Massachusetts respectfully requests that the Commission approve the Posturing Rule Changes proposed by ISO-NE to be effective as of May 18, 2012 and issue an order to that effect by June 30, 2012.

⁸ Sections 11.1, 11.1.2 and 11.1.3 of the NEPOOL Participants Agreement.

⁹ ISO-NE has indicated that it will continue to monitor and evaluate events related to LNG supply availability and take additional actions if necessary.

Respectfully submitted,

MASSACHUSETTS DEPARTMENT OF
PUBLIC UTILITIES

By its attorney,

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Date: June 4, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document upon each party on the official service list compiled by the Secretary in this proceeding in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.2010.

Dated at Boston, Massachusetts, this fourth day of June, 2012.

/s/ Thomas E. Bessette
Thomas E. Bessette